

IN THE UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF VIRGINIA (ALEXANDRIA)

In Re: ) Case No. 23-10919-BFK  
 ) Alexandria, Virginia  
 BF MANAGEMENT LLC, )  
 )  
 Debtor. ) September 12, 2023  
 ) 11:48 a.m.  
 ----- )

TRANSCRIPT OF HEARING ON  
 (34) U.S. TRUSTEE'S MOTION TO DISMISS OR CONVERT CASE TO  
 CHAPTER 7; MICHAEL ROSENGART STATEMENT IN SUPPORT #38  
 BEFORE THE HONORABLE BRIAN F. KENNEY  
 UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtor:

JOHN P. FOREST, II, ESQ.  
 MICHAEL T. FREEMAN, AUST  
 FOREST LAW FIRM  
 11350 Random Hill Road  
 Suite 700  
 Fairfax, VA 22030

For the Office of the U.S.  
 Trustee:

JACK I. FRANKEL, ESQ.  
 U.S. DEPARTMENT OF JUSTICE  
 1725 Duke Street  
 Suite 650  
 Alexandria, VA 22314

Also Present:

Raymond Rahbar  
 Debtor Designee

Borzou Azabdaftari  
 Creditor

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## Raymond Rahbar - Direct

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1 Q. Did it have a cash flow statement?

2 A. It did not.

3 Q. What is the debtor's plan of reorganization? What is  
4 the -- how do you expect to reorganize? When I say "you", the  
5 debtor.

6 A. Sure, I understand. So if -- and I apologize to the Court.  
7 I need to take a little bit of a step back.

8 All of our files were deleted and destroyed at one point,  
9 and we suspected we knew it was Michael Rosengart, but we  
10 didn't -- we didn't have any proof. We have since learned that  
11 not only did Michael do it, and IP addresses now confirm it  
12 that we have from Verizon, but he had written out a twelve-page  
13 memo with screenshots detailing how he got into our system and  
14 how he deleted everything and how he kept a copy for himself.  
15 Those same files, they denied, denied, denied that they'd ever  
16 deleted, but he'd put it into a memo with screenshots,  
17 inexplicably stupid. And Mr. Scher wanted an opinion from  
18 somebody else, and he sent it to a partner at DLA Piper, Max  
19 Masinter.

20 Max Masinter and I, we went to law school together. So  
21 guess what Max did. He goes, I got no lawyer-client privilege.  
22 I'm sending this to Raymond. That's the only reason I have the  
23 evidence. I want to be very clear. They lied. They  
24 obfuscated. They did everything. I --

25 THE COURT: So Mr. Frankel was asking you how you're

## Raymond Rahbar - Direct

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1 going to reorganize.

2 A. So and the reason I bring it to that is they kept a copy of  
3 the documents, and they have all of our files. If we can get  
4 those files back, it's not that hard to re -- we have to have  
5 (sic) some stuff. I mean, the pandemic world kind of changed  
6 everything. We have to change some stuff, but then we would  
7 like to go back out and license to other gyms. And we have  
8 Tempo Club in Clarendon. It's a smaller club. I would love to  
9 do a much bigger club, but it's still -- you know, you have to  
10 start somewhere, and then that's how you start expanding again.

11 But without the assets, it's actually very difficult. And  
12 you have to have the assets. And by assets, I don't  
13 necessarily mean cash because I can get a credit card. I can  
14 do loans. There's a hundred other ways to finance operations.  
15 And I've done -- I've raised probably north of a hundred  
16 million dollars in the last ten years.

17 Raising the capital is not the hard part. But if you don't  
18 have a product to sell that you spent, by the way, nine years  
19 developing, it is very hard to sell something. So first, we  
20 need the property back, then the rest kind of take care --  
21 takes care of itself.

22 Q. Now, you said you have a very valuable customer list and  
23 mailing list?

24 A. Yes.

25 Q. And what was the value that you ascribed to that?

## Raymond Rahbar - Direct

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1 A. Those were third-party valued at ten million dollars.

2 Q. Well, I thought on your schedules, you put down seventeen  
3 million dollars?

4 A. So sorry, I think we're talking slightly different --  
5 specifically just the email was ten. And then the other  
6 software is seven.

7 Q. And you're telling me that all these -- everything was  
8 stolen, correct?

9 A. Correct.

10 Q. Did you have -- did the debtor have any insurance against  
11 the property being stolen?

12 A. No. Well, sorry. We have general liability insurance. I  
13 kind of thought that might apply. The insurance company  
14 obviously very much disagreed because this was a computer  
15 infraction.

16 I forget the name of the insurance, but apparently you have  
17 to have a specific computer-hacking type of insurance that's  
18 separate from your general liability insurance. Because he was  
19 a former employee, our employee insurance also did not cover it  
20 because we had already fired him by months at that point. So  
21 we had insurances in place, just not a specific computer  
22 insurance.

23 Q. So correct me if I'm wrong. So again, you had an assets  
24 worth approximately seventeen million dollars, but you had no  
25 insurance; is that the bottom line?